Although the scale of Pillowtex's rise and fall may be rare, the basic storyline is all too common. In almost every manufacturing industry in which America has been a been a leader during the 20th century—textiles and apparel, furniture, automobiles, steel, computers, electronic equipment, pharmaceuticals, and others—we have lost, or are beginning to lose, our competitive advantage to other nations. This "offshoring" is due primarily to a dramatically changing 21st century global economy and America's role within it. As new, improved, and more efficient production techniques, communication technologies, and transportation modes have spread worldwide (Table 1.1), the world has become "flat"[2]— markets have shifted from being national to global in scope, and competition has become dramatically more intense and dynamic. The playing field has been leveled.

Political changes have paralleled and accentuated these technological changes. For nearly half a century following World War II, most of the world's population lived and worked outside the free-market system. Countries such as the Soviet Union, China, and India, as well as many others in Africa and South America, had socialist policies that minimized competition and rejected global integration. As the Cold War came to an end at the close of the 20th century, however, the world order changed dramatically. The legitimacy of command-and-control economies everywhere came into question, and countries that were once economically stagnant adopted free-market systems in pursuit of economic prosperity, wealth creation, and social development.[3]

Together, these technological, economic, and political changes worldwide are challenging the existing economic order and sources of value and competitive advantage. While in the previous century U.S. businesses could compete in world markets on the basis of cost, that luxury no longer exists in the 21st century; the cost of labor is far cheaper in most other countries. Low-wage nations can easily perform manufacturing work that is labor intensive and difficult to automate. The same is increasingly true for services such as call centers, software programming, and data storage and management.

Table 1.2 The Changing U.S. Economy: 20th Century vs. 21st Century[4]

Indicator	1960	21st Century
Composition of workforce		
College graduates*	7.7%	27%
Managerial, professional, technical workers	22.1%	34.8%
Production workers, handlers, laborers	44.4%	27.1%
Women	32.3%	46.3%
Technology development and application		
Manufacturing productivity (1992 = 100)	34.1	173.8
R&D expenditures (2000, $millions)	$51,382	$298,862
Industry contribution	33.0%	71%
Scientists and engineers in industry (thousands)	300.0	997.9
Patents issued	47,169	183,187
Economic and social well-being		
Per capita income	$10,386	$36,714
Average annual earnings per FTE worker	$18,124	$40,690
Infant mortality (per 1,000 live births)	26.0	6.3
New single-family home, median square footage**	1,385	2,237

Source: Adapted and updated from Montana et al. 2001.
** Percentage of adults 25 years and older. ** Initial figure is for 1970.*